

Opportunities in Indian Food Processing Sector

Prospects for increasing processing levels in India are enormous as the country moves steadily from a position of scarcity to surplus. This being said, the food industry output is expected to reach \$535 billion in 2025-26. India ranks 1st in milk, livestock and millets production, 2nd in the production of fruits, vegetables and rice but the level of processing in the fruits & vegetables segment is only 2% and 35% in milk. Thus, given the high production levels along with the low processing rates, this sector creates huge opportunities.

Government of India has provided a boost to the food processing sector under the Pradhan Mantri Kisan Sampada Yojna (PMKSY). This is a comprehensive package which will eventually result in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlet. With 18 mega food parks already operational and 192 operational cold chain projects, there is ready infrastructure available in this sector creating an impetus for growth of food processing.

With the announcement in the recent Union Budget of increasing fish production to 200 lakh tonnes by 2022-23, India being the second largest producer of fish & having 2,358 fish species accounts for a huge potential in this segment and offers tremendous opportunities in this sub-sector.

India has the second largest poultry market in the world, while being the largest producer of buffalo meat and third largest producer of eggs. Opportunities in this sub-sector are immense, ranging from opportunities in meat traceability to value-added products such as RTE snacks.

Backed by the enabling business environment, incentives under PMKSY and NABARD'S ~\$280 million fund for food parks & units, FDI inflow into the Indian food processing sector has been significant amounting to \$3.28 billion in the last five years. As for this sector, 100% FDI is permitted through the automatic route. Even amongst the retail market of India, the food & grocery retail segment occupies 60% of the total. Additionally, 100% FDI is permitted in manufacturing of food products and for trading (including through e-commerce) for food products manufactured and/ or processed in India.

In lieu of India's young demographics and with rising disposable income, the demand pattern for food is changing. Indian consumers are more conscious of the food choices they are making leading to more opportunities in the health food sector. There is scope for new entrants as well as innovative targeting of the consumers in the sector for e.g. in the health-based drinks segment, value added dairy products, processed fruit-based ingredients amongst others.

Going forward, the rising global demand for processed food is expected to increase to very high levels. This will mainly be directed by consumer preferences of convenience, nutritional value, health-based foods and value for money. The food processing sector in India thus has immense opportunities for growth and investments.
